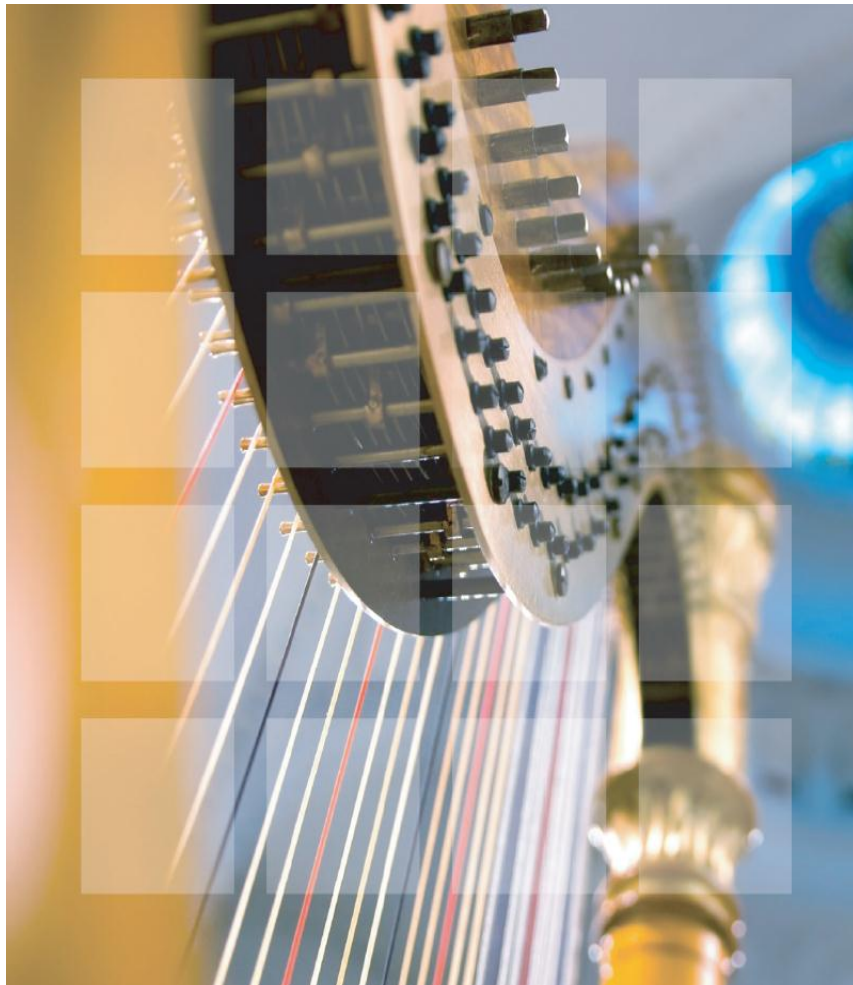




An Roinn Airgeadais
Department of Finance



Department of Finance
Statement of Strategy
2011-2014

2012 Revision



Message from the Minister

This is a revised Statement of Strategy for the Department of Finance for the period 2011-2014.

Delivering these objectives in this Statement of Strategy will help create the conditions necessary to ensure that Ireland is well and truly on the path to recovery, sustainable growth and increased employment.

I am pleased to say that we are already well on the road to correcting the excesses of the past. This is in no small way attributable to the tremendous dedication and commitment by the officials in the Department to the achievement of the tasks required which my colleagues and I have witnessed since coming into Government.

The Department of Finance will continue to play a central and vital role in bringing the Irish economy to a point where it can function in a manner that benefits its citizens once again through sustainable growth, employment and improving living standards. Ireland has a bright future if we continue to pursue the correct policies.

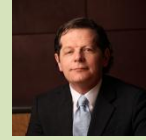
The development of a modern, professional and forward-looking Department will be the key to success. I look forward to working closely with the new Secretary General and the staff of the Department in implementing the changes to meet the strategic priorities in this statement.

I hope also to welcome new colleagues to our team. Our country faces some its most difficult challenges. We will need to develop and implement policies which will define the shape of Ireland and the lives of our citizens. For this task, we will need to call on the best resources available to us. I am confident that others will respond to this call to work on some of the greatest challenges ever faced by our country.

Michael Noonan, TD

Minister for Finance

Foreword by the Secretary General



I have the pleasure in presenting to the Government a revision of the Department of Finance's Strategic Plan 2011-2014.

For 2011, the Department had established goals, principally driven by the EU/IMF funding programme and the restoration of stability to the banking system. Very significant progress has been achieved in the furtherance of these goals as set out in the attached document. This task is not yet finished.

These goals were about crisis management and less about planning strategically for the future.

We believe that building on that progress, it is appropriate for 2012 to proactively revisit these goals and be more forward looking in the role we can play.

We believe that it is critical that we redirect our own primary focus more towards the identification and implementation of measures which will contribute to enhanced confidence and delivering sustainable growth in our economy. The establishment of the Department of Public Expenditure and Reform (PER) on 6th July 2011 has made this even more desirable since our colleagues in PER have taken over responsibility from our Department for the key task of control of public expenditure.

This realigned focus will allow our Department to take on a greater leadership and strategic planning role in the economic affairs of our country. We must strive to ensure success by playing our part to break down any barriers to and find innovative solutions for the implementation of this economic policy. Our people are key to the success of the Department and we have a team that are dedicated and determined to delivering our strategic goals and priorities.

But we cannot do it alone.

As part of a broader political and administrative system, we must at all time work closely with our colleagues in many other Departments and Agencies and with others in the private sector. We must also in turn play our part in achieving the implementation of the Government's broader social and reform agendas for which our colleagues are responsible.

I have no doubt our Department will rise to these new ambitious challenges.

John A. Moran

Secretary General

1. Our Mission

The Department's mission is to manage Government finances and play a central role in the achievement of the Government's economic and social goals having regard to the Programme for Government. In this way we will play a leadership role in the improvement of the standards of living of our citizens.

2. Our Goals

In pursuing this mission, the Department is working for the period 2011 to 2014 towards achieving the following principal goals:

- 1. A resilient Irish economy founded on sustainable and balanced growth and leading to significant increases in employment numbers.**
- 2. A sustainable macroeconomic environment and sound public finances.**
- 3. An improvement in the living standards of our citizens.**
- 4. Return by Ireland to international debt markets so as to achieve an exit from the EU/IMF funding programme at the earliest possible date.**
- 5. Completion of the restructuring of the banking system and a vibrant, secure and well regulated financial sector.**

We will do this by providing **independent, impartial and well informed advice** to the Minister and Government on the most appropriate economic, taxation and budgetary policies to reduce national debt to more sustainable levels. We will also advise on and implement the policies that will ensure that Ireland's financial system will be able to operate on a stable, sustainable and commercial basis.

This advice will be provided in the **interests of society** as a whole with the objective of creating the framework conditions that are essential to allow the Irish economy to function in a manner that benefits its citizens once again through sustainable economic growth, increased employment and improved living standards.

In undertaking this the Department, on behalf of the Government, will **engage at all levels with European institutions and wider afield** to foster Ireland's economic and social interests and also to secure budgetary and economic stability in the Euro area and in the overall EU27 to support the achievement of the full economic growth potential of all EU Member States, including Ireland. These objectives will be underpinned by an effective contribution by the Department to ensure a successful EU Presidency by Ireland in 2013.

3. Our Principles

Underpinning our goals are certain overarching principles:-

- **Equity:** There is an urgent need to continue with the task of repairing the damage caused to the lives of ordinary people, the economy and the banking sector. This must be done in a way which encourages speedy but equitable resolution of the problems recognising that solving the problems of some sectors of the population may require the use of public funds contributed by others.
- **Partnership:** We cannot act alone. Rebuilding our economy and financial system requires the participation of many stakeholders. It requires therefore a heightened effort on our part to communicate and work constructively and collaboratively with all our stakeholders, including taxpayers, other governmental departments, agencies and regulators both in Ireland and internationally.
- **Leadership:** We cannot however abdicate our responsibilities to others. We must show leadership in the restoration of confidence in Ireland as an economy. We must show bravery and inventiveness in the development and implementation of policy choices for the Government. We must embrace with conviction and thoroughness our responsibility to ensure that other arms of the State are both fully equipped for and carry out fully their own roles in this process
- **Challenge:** We must be prepared to play a greater and more robust role in challenging the advice we receive and questioning fully the direction adopted by others. This requires a commitment on our part to review thoroughly suggestions made to us. It also requires our full participation in on-going programmes of training and education in order to ensure we draw from the best experience of others in applying ideas to the specifics of our own situation. We must also be prepared to challenge ourselves constantly to ensure that our prior decisions and choices remain best suited for any change in circumstances.
- **Integrity:** The immense responsibility entrusted to us by the public requires us at all times to act with integrity. We must devote ourselves fully and with energy to the tasks ahead. We must not just manage conflicts of interest but also must act

proactively to avoid situations which might create such conflicts. The taxpaying public must trust fully the way we manage the delivery of our services and the choices we make. We must also ensure that in making decisions involving the spending of public resources we act fairly and balance carefully the costs of expenditure against the benefits to be gained. We must also carefully manage the process so as to ensure efficient delivery of the desired results.

4. Moving Towards Our Goals

We have identified a range of short term strategies that we feel will help us move towards fully achieving our goals. Implementing these strategies will result in a number of positive outcomes for each goal. We have also identified a range of performance measures in order to monitor the success of our strategies. Our strategies, expected outcomes and performance measures are set out below. All performance measures will be considered both in absolute terms as well as against EU and international norms.

Goal 1: <i>A resilient Irish economy founded on sustainable and balanced growth and leading to significant increases in employment numbers</i>	
Outcomes	<p>Sustainable economic growth across domestic and international activities.</p> <p>Increase in competitiveness, employment and productivity growth.</p> <p>Appropriate credit available for viable households and businesses, etc.</p>
Short-term strategies to meet our goals	<p>Enhanced economic policy division to develop a coherent strategy for the Irish economy across all sectors, consistent with EU and other international developments.</p> <p>Particular focus on policy support for sectors likely to successfully drive growth in the economy.</p> <p>Enhanced two way communication with other policy makers, industry and academic commentators both domestically and internationally.</p> <p>Greater support of other governmental departments and agencies' efforts to drive strategies for economic growth and increased employment.</p> <p>Promote measures at an EU and international level to encourage growth and employment.</p>
Performance measures	<p>Performance measures will include among others:</p> <ul style="list-style-type: none"> • Levels of GDP and GNP growth. • Level of employment. • Competitiveness, productivity levels and other relevant indicators benchmarked against EU and international norms. • Sustainable levels of personal debt. • Positive commentary, reports and assessments by external agencies, media and the global business community.

Goal 2:

A stable macroeconomic environment and sound public finances

Outcomes	<p>Decline in General Government Deficit.</p> <p>Decline of Government debt ratio in line with European requirements.</p> <p>Return to sovereign debt markets by 2014.</p> <p>Sustainable, robust and efficient tax system that meets budgetary requirements.</p>
Short term strategies to meet our goal	<p>Budgetary and economic policy designed to restore/maintain the sustainability of the public finances.</p> <p>Efficient and effective operation of the NTMA and related entities to support Government policy.</p> <p>Delivery of the agreed targets in the EU/IMF programme.</p> <p>Enhanced budget formation.</p> <p>Building an enhanced Department function to monitor and assess risks to financial stability.</p> <p>Taxation policy which provides the resources required for Government programmes.</p> <p>Implementation of the Fiscal Responsibility Framework.</p>
Performance measures	<p>Performance measures will include among others:</p> <ul style="list-style-type: none">• Deficit ratios.• Debt ratio levels.• Spread of Government Bonds over German benchmark yield.• Tax yields.

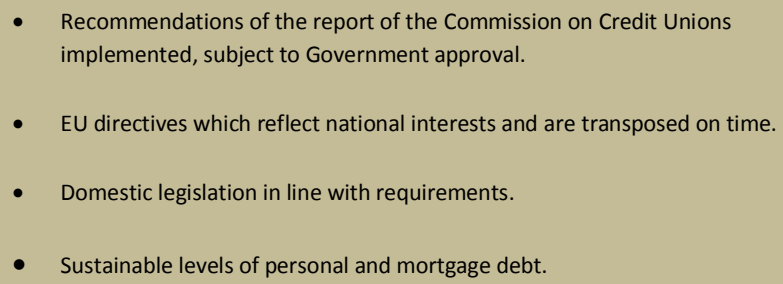
Goal 3: <i>An improvement in the living standards of our citizens</i>	
Outcomes	<p>Conditions to support growth in household income and wealth.</p> <p>Equitable, efficient and broadly-based tax system which meets Ireland's policy needs.</p> <p>Equitable access to governmental services that underpin long term sustainable growth.</p>
Short term strategies to meet our goal	<p>Economic policies to promote increased living standards.</p> <p>Greater engagement with other governmental departments and agencies' efforts to drive strategies for economic growth and increased employment.</p> <p>Broadening the tax base and distributing the tax burden in a manner that is supportive of growth, with taxation policy which supports the promotion of fairness, enterprise and competitiveness.</p> <p>Fair resolution of the problem of excess debt of citizens.</p> <p>Focus on financial inclusion to ensure access to financial services for all citizens.</p>
Performance measures	<p>Performance measures will include among others:</p> <ul style="list-style-type: none"> • Per capita income. • International surveys of standards of living. • Distribution of income. • Levels of employment.

Goal 4: <i>Return by Ireland to international debt markets so as to achieve the exit from the EU/IMF funding programme at the earliest possible date.</i>	
Outcomes	<p>A Programme of Support that meets Ireland's requirements.</p> <p>Return to sovereign debt markets by 2014.</p>
Short term strategies to meet our goals	<p>Budgetary and economic policy designed to restore/maintain the sustainability of the public finances.</p> <p>On-going review and negotiation of Programme of Support to meet changing circumstances.</p> <p>Continued compliance with the policy and legislative requirements of the Programme of Support.</p> <p>Full investor relations approach to return to market with appropriate transparency.</p>
Performance measures	<p>Performance measures will include among others:</p> <ul style="list-style-type: none"> • Deficit ratios. • Debt ratio levels. • Return to sovereign markets at sustainable prices.

Goal 5:


Completion of the restructuring of the banking system and a vibrant, secure and well regulated financial sector.

Outcomes	<p>A well-regulated, effectively supervised, competitive and more stable financial services sector.</p> <p>A banking sector servicing the economy and the wider population and built for the future.</p> <p>Continuing development of Ireland as a centre for international financial services and as a location of choice for investment for international foreign financial services firms.</p> <p>Appropriate credit available for viable households and businesses.</p>
Short term strategies to meet our goal	<p>Maintain effective and efficient structures and procedures for the financial regulation and supervision of individual service providers and the conduct of business by financial service firms.</p> <p>Enhance work with Central Bank, both nationally and internationally to maintain effective and efficient regulatory structures and procedures to monitor, assess and maintain the financial system to maintain financial stability.</p> <p>Solutions to the problem of distressed mortgages and difficulties with personal debt.</p> <p>Maximisation of the value of the State's investment in banks.</p> <p>Work with other agencies and in consultation with representatives of the sector to contribute to the development of financial services in the State.</p> <p>Reform and restructuring of the credit union sector consistent with the recommendations of the Commission on Credit Unions, to ensure a sustainable future for the sector.</p> <p>The adoption of domestic national financial regulatory and supervisory policies and legal frameworks which are consistent with EU financial services initiatives which in turn adequately encompass Irish national interests.</p>
Performance measures	<p>Performance measures will include among others:</p> <ul style="list-style-type: none">• Levels of credit available to households and business.• Investment into the Irish financial services sector.• Level of State support to the banking sector.• Return on investment in the banking sector.• Regulatory framework benchmarked against other EU and international jurisdictions.

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- Recommendations of the report of the Commission on Credit Unions implemented, subject to Government approval.
 - EU directives which reflect national interests and are transposed on time.
 - Domestic legislation in line with requirements.
 - Sustainable levels of personal and mortgage debt.

5. Our Achievements in 2011

This is a future-focused document identifying our goals to 2014. However, it is important to acknowledge what was achieved by the Department in 2011 while we identify how we can best work towards the attainment of our goals. Our high level achievements are set out below under the relevant policy areas.

Our Commitments under the Programme for Government are set out in appendix 1. Where our achievements correspond to a specific Programme for Government commitment which has already been achieved it is indicated below by the following symbol: 

We will of course continue to move toward the realisation of the remaining objectives.

5.1 Economic policy



In 2011 the Department developed economic policies and forecasts including the Medium Term Fiscal Statement, the Stability Programme Update and the Jobs Initiative, and represented Ireland in a range of fora to ensure that Irish economic policy and indicators are understood.

5.2 Budgetary policy



The Department developed budgetary policies and forecasts and delivered the Budget Strategy Memorandum for Government and Budget 2012. The Fiscal Advisory Council was also established. Ireland met all of its budgetary and fiscal targets for 2011.

5.3 EU/IMF Programme of Support



The Department is the primary manager of the State's relationship with the Troika under the EU/ IMF Programme and advised on the development and delivery of the Programme including changes to the interest rate payable on Programme funds as well as the quarterly reviews of the Programme. The Department also achieved all of its targets under the Programme on time over the course of 2011.

“Program implementation remains strong. The front-loaded fiscal consolidation is on track, with the 2011 deficit significantly below the program targets. The Irish authorities have continued to advance wide-ranging reforms to restore the health of the financial system so it can support Ireland’s recovery. Reforms to enhance competitiveness and support growth and job creation are moving forward.”

Statement by the European Commission, ECB and IMF on the review mission to Ireland, 19 January 2012

5.4 Taxation policy



The Department delivered a tax yield of €34bn for 2011. The Finance Bill, Finance (No 2) and Finance (No 3) Bills were all delivered. In addition the Department undertook a review of the Universal Social Charge, legacy property reliefs and published Tax Strategy Group papers. Corporate tax rates and income tax rates remained unchanged. In addition as part of the Jobs Initiative a temporary new rate of VAT of 9% was introduced in respect of certain goods and services mainly related to tourism.

5.5 Restructuring of banking sector



The Department developed and continued to implement a range of policies for the banking sector including a design for a new resized banking sector with two domestic universal pillar banks, policies to significantly reduce monetary financing, policies for HR and IR issues in banks designed to reduce significantly the costs of compensation and redundancy programmes in the banks. The banks also met their SME lending targets for 2011 - €3bn for each pillar bank.

5.6 State’s shareholding in the bank



The banks were comprehensively recapitalised in 2011 with a significant (€7.5bn) private sector contribution. In terms of increasing private sector participation there were significant private investments in Bank of Ireland in 2011 with a consortium of third party investors purchasing €1.051bn of ordinary stock. In addition the deleveraging targets for 2011 (as part of the deleveraging strategies for the banks to 2013) were achieved – there was system-wide deleveraging of €44.7bn against a target of €34.6bn. Ministerial actions under the Credit Institutions (Stabilisation) Act 2010 and additional liability management exercises generated an additional €7bn of Tier 1 capital in 2011 from burden sharing on top of the €8bn already achieved in prior years. The Department also defended a number of legal challenges to Ministerial actions under the Credit Institutions (Stabilisation) Act, 2010.

5.7 Policy to deal with mortgage arrears



The Report of the Interdepartmental Group on mortgage arrears was published and the Department took the lead by chairing a Steering Group to assess and implement as desirable the recommendations of the report.

5.8 Financial sector stability



All eligible loans were transferred to NAMA. A Credit Union Commission was established in 2011 and delivered an interim report. The Department also prepared a report and a legal framework for the introduction of a statutory credit register in Ireland. The Banking Division also established a dedicated banking stability unit which reports publically on certain key stability metrics.

5.9 Structural reform of financial services



The Central Bank and Credit Institutions (Resolution) Bill and Insurance (Amendment) Act was passed and the Central Bank (Supervision and Enforcement) Bill was published. The Electronic Money Directive, Financial Conglomerates Directive, UCITS directive, Insurance Winding Up Directive and the Life Insurance Directive were all transposed over the course of 2011.

5.10 Ireland's interests in EU and international bodies



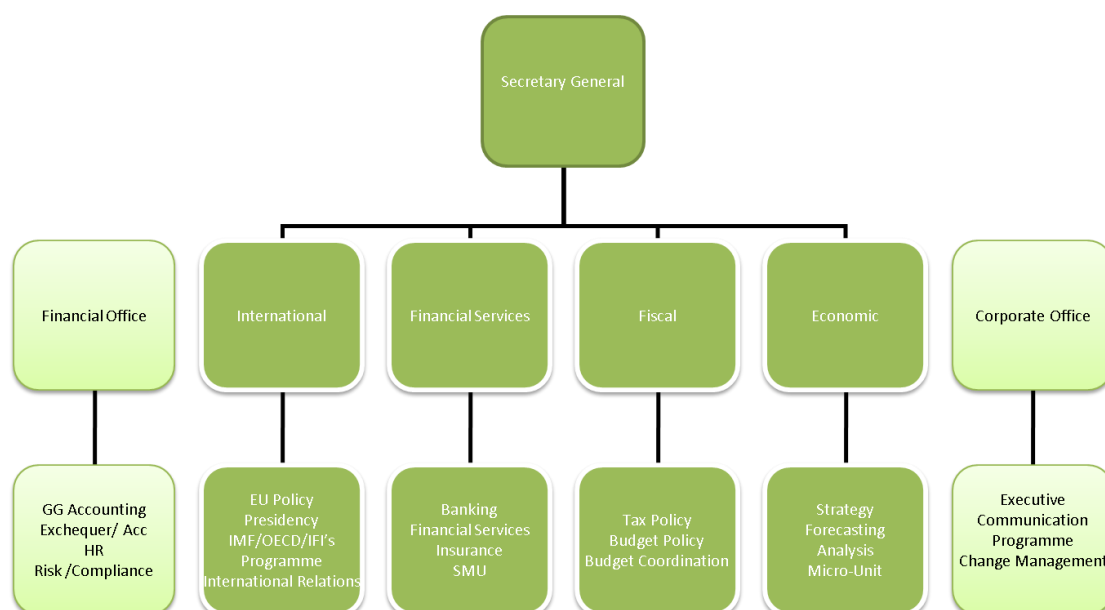
The Department provided advice in relation to, contributed to the work of and represented Ireland's interests in a range of EU and international bodies including OECD, IMF, other IFIs and various EU committees and working groups.

5.11 Investor Relations

The Department played an advanced role in investor discussions and conferences both in Ireland and abroad to better explain the work being done to restore the public finances. A potential indicator of this success can be seen in the downward movement in Ireland's 10yr sovereign yields from highs of 14% (July 2011) to 6.8% as at 30 March 2012.

6. Revised Structures in the Department

From 1 May 2012 we will operate the following revised structure:



7. Achieving a Higher Performing Department

7.1 Adapting our Resources

The delivery of the objectives of this plan requires a new approach by us to the workings of our department.

We must strengthen the **leadership role** we play in the rebuilding of our economy.

We must improve our performance by being more **flexible and adaptable** in the use of our resources.

In a period of budgetary difficulties, we must also work smarter and especially more efficiently leverage the **support available to us from across the government sector and the private sector**. We will focus on assisting other agencies and departments to align their efforts with our own objectives for the Irish economy. We will also play our part in leading the greater use of shared resources across the public sector.

7.2 Realigning our Resources

In recent years, the management of our economic and banking crisis has dominated the activities of the Department. This culminated in our negotiation of the IMF-EU Programme and in the careful and successful management of the Programme.

At this juncture, we must re-optimize our resources by **identifying our most significant initiatives** and realign our resources in line with our revised and more forward looking strategic plan. Everyone throughout the organisation will be working to common goals and to finding the solutions which forward the attainment of our objectives. Given the limited financial resources available to us; this may involve giving greater priority to certain tasks and lesser priority to others but with a particular focus on initiatives which contribute to economic growth and recovery.

Specifically; it will involve among others the following initiatives:-

- the development of **greater capabilities in our economic planning unit** to focus on greater strategic objectives and monitoring of the performance of the Irish economy and each sector thereof,
- the creation of an **enhanced project management unit** to deliver not just our commitments under the IMF-EU Programme but all that is required to be delivered to achieve the goals of this strategy document,
- the **enhancement of our risk capabilities** and a greater embedding of a risk management and control culture throughout all areas of activities in the department,
- the **enhancement of our international division** to play a greater and more leading role in the development of policies for economic recovery of the Euro area and to support the development of stronger economic relations outside of traditional markets, and
- delivering **efficient and effective services on a more centralised basis** including accounting, financial management, internal audit, payroll/pension, banking, facilities management, human resource management and statutory compliance and communication and where possible on a shared basis to Government Departments/Offices and Agencies.

7.3 Enhancing our Resources

Since 2008 pay and non-pay costs have fallen significantly reflecting a fall in staffing and associated supports. This **fall in investment in the Department** makes it impossible for us to achieve our overriding strategic goals set by ourselves and by the Government. This is particularly so with the key important roles to be undertaken by the Department during the Presidency of the European Union in 2013 and in spearheading the economic recovery of the country. To continue with such reduced resources is not sustainable or advisable given the greater challenges facing the economy and financial sector.

Greater use of **technology and business process improvements** will over time increase our ability to deliver more with less resources but this will take some time to implement and will also involve considerable investment given the depletion of these services in recent years.

The Government has agreed that it is necessary to invest given the importance of the ambitious goals we have set ourselves.

As a result, during 2012 and 2013, we will actively engage in a threefold action plan.

- This will firstly involve **training our existing teams** so that they can develop greater technical, management and leadership skills necessary to the challenge. Using the performance management evaluation system, we will review our staff and identify any skills which need enhancing so as to use the training resources most effectively.
- We will **challenge and acknowledge the efforts of our key performing staff** by further developing their skills and add to the value they contribute to the Department.
- In parallel, we will be adding to our teams to **supplement our skills base** where gaps are identified. This will also be necessary for succession planning for the work of future generations of our department.

8. Enhanced Communications and Transparency

We are very conscious of the importance of communication to our goals. We need an open dialogue to ensure that we are both providing sufficient information about our activities and providing channels for communication with the Department. We are committed to improve the effectiveness of our communications efforts.

In terms of **communication from the Department** we will provide up to date information on our objectives and our achievements. We will make better use of electronic communications, improving our internet presence and examining how we can use social media to communicate in more innovative ways.

As well as getting our information out we want to encourage **input into our decisions and actions**. To facilitate this we are publishing more consultation papers on proposed policy directions and specific proposals. We will be arranging workshops and briefings on key policy issues. This will ensure that we are communicating as effectively as possible with those whom Government policy directly affects. It will allow us to solicit a wider range of views before presenting policy options to the Government.

As well as these specific actions for direct communications we will be developing **broad channels for the communication of ideas and possibilities** to the Department. The Global Irish Economic Forum has highlighted the valuable resource available to Ireland – its people across the globe and closer to home. We will be looking at how best we can harness these resources and use them to help us in achieving our aim of developing a new model for a resilient Irish economy. Already, arising from the Global Irish Economic Forum, advisory groups are being established in Germany, China and the Middle East to directly communicate actions points and advice to our soon to be created international relations unit.

9. Challenges in our Operating Environment

Notwithstanding the strategies in place, achieving our stated goals will be influenced by the prevailing challenges in our operating environment and the limitations these may place on our actions. Clearly, given Ireland's position as a small open economy we must acknowledge the effects that **developments in the European and global economy and financial sector** could have on our own economy and our goals of a stable macroeconomic environment,

sound public finances and a vibrant, secure and well regulated financial sector. While we cannot eliminate this risk we can work to mitigate it through our involvement in policy making at a European and global level.

Within the Department we are conscious of the importance of **enhancing our risk assessment capacities** across all our activities and we are committed to monitoring risks, ensuring that there are procedures in place to seek to minimise the likelihood of risks materialising and increasing our preparedness to deal with any risks that do materialise including through contingency planning.

Appendix 1: Department of Finance Programme for Government Commitments

We will seek a reduced interest rate as part of a credible re-commitment to reducing Government deficits to ensure sustainability of our public finances.
We will re-commit to structural reforms required to accelerate growth, job creation and debt sustainability.
We will attach the utmost priority to avoiding further down-grades to our sovereign credit rating by setting further capital spend by the State on bank re-capitalisation at a level that is consistent with national debt sustainability.
In this regard, we will defer further recapitalisation of the banks until the solvency stress tests are complete and known to the new Government. Earlier recapitalisation in advance of publication of the stress tests will not contribute to market stability and confidence.
We remain committed to a smaller banking system that reduces its reliance on funding from the Irish and European Central Banks and volatile market sources. In order, however, to limit further calls on the State to cover bank losses from distressed asset sales, bank de-leveraging must be paced to match the return of more normal market conditions and demand for bank assets.
As an interim measure, we will seek to replace emergency lending to our banks with medium-term, affordable, official financing in a way that can restore confidence among other potential lenders in the liquidity position of our banks.
We will end further asset transfers to NAMA, which are unlikely to improve market confidence in either the banks or the State.
We will ensure that an adequate pool of credit is available to fund small and medium-sized businesses in the real economy during the re-structuring and down-sizing programme.
We will introduce a comprehensive special resolution regime for dealing with bank insolvencies.
The Government accepts that enabling provisions in legislation may be necessary to extend the scope of bank liability restructuring to include unsecured, unguaranteed senior bonds.
The new Government will seek to dispose of the public stakes in the banks as soon as possible at the best possible return to the taxpayer.
We will create an integrated decision making structure among all relevant State Departments and Agencies to replace the current fragmented approach of State bodies in dealing with the financial crisis.
The new Government will re-structure bank boards and replace directors who presided over failed lending practices. We will ensure that the regulator has sufficient powers of pre-approval of bank directors and senior executives. To expedite this change-over we will openly construct a pool of globally experienced financial services managers and directors to be inserted into key executive and non-executive positions in banks receiving taxpayer support.
We will insist on the highest standards of transparency in the operation of NAMA, on reduction in the costs associated with the operation of NAMA, and that decision-making in NAMA does not delay the restoration of the Irish property market.

Once the banking sector has been restored and is functioning effectively, we will introduce a bank levy based on the size of a bank's liabilities (other than shareholder capital).
We will establish a Strategic Investment Bank.
We recognise the important role of Credit Unions as a volunteer co-operative movement and the distinction between them and other types of financial institutions. In Government, we will establish a Commission to review the future of the credit union movement and make recommendations in relation to the most effective regulatory structure for Credit Unions, taking into account their not-for-profit mandate, their volunteer ethos and community focus, while paying due regard to the need to fully protect depositors savings and financial stability.
We support the future development of the IFSC as a source of future employment growth, subject to appropriate regulation. We will establish a taskforce on the future of the financial services sector to maximise employment opportunities in financial services for staff leaving employment as a result of downsizing.
We will ensure that the investigations into failures in the banking system are adequately resourced.
All remuneration schemes at banks subject to state support will undergo a fundamental review to ensure an alignment of interest between banks, their staff and the taxpayer.
Cut the 13.5% rate of VAT to 12% up to end 2013.
We will exempt from VAT service companies that export more than 90% of their output.
Subject to a cost benefit analysis, we will amend the RD tax credit regime to make it more attractive and accessible to smaller businesses, in the following ways: companies with RD expenditures of under €100,000 will be entitled to full tax credit on those entire expenditures as opposed to just the increment over the base year, with marginal relief for companies with expenditure just over €100,000, we will allow companies to offset the RD credit against employers. PRSI as an alternative to corporation tax, to cut down on red tape in the applications process, companies in receipt of a Research, Technology and Innovation (RTI) grant from one of the development agencies will be automatically deemed as entitled to the RD tax credit.
We will direct the Revenue Commissioners to examine the feasibility of introducing – on a revenue neutral basis – a Single Business Tax for micro enterprises (with a turnover of less than €75,000 per annum) to replace all the existing taxes on sole traders and small businesses to cut compliance costs and make starting a business much less daunting.
We will create a Strategic Investment Bank that will become a provider of finance to large capital projects, a conduit for venture capital and a lender to SMEs.

<p>The Government will put in place a parallel, commercially-financed investment programme in key networks of the economy to support demand and employment in the short-term, and to provide the basis for sustainable, export-led jobs and growth for the next generation. Streamlined and restructured semi-States will make significant additional investments, over and above current plans, over the next four years in “next generation” infrastructures in energy, broadband, forestry and water. These investments – and the accompanying semi-state restructuring process – will be financed and pro-actively managed by a New Economy and Recovery Authority (NewERA), which will absorb the National Pension Reserve Commission.</p>
<p>We believe it is appropriate, in order to enhance international credibility, to stick to the aggregate adjustment as set out in the National Recovery Plan for the combined period 2011-2012.</p>
<p>In preparation for Budget 2013, we will review progress on deficit reduction, and draw up a plan which will achieve the objective of reaching the 3% of GDP target for the General Government Deficit by the target date of 2015.</p>
<p>Should Ireland succeed in obtaining a lower interest rate on its loans, this should be offset against the aggregate adjustment required over the term of the programme.</p>
<p>We believe that achieving the 3% of GDP deficit target should be seen as an intermediate step in the process of restoring the public finances, and that further reductions in the general government deficit as a share of national income will be required thereafter.</p>
<p>As part of our fiscal strategy the new Government will: Keep the corporate tax rate at 12.5%.</p>
<p>Maintain the current rates of income tax together with bands and credits. We will not increase the top marginal rates of taxes on income.</p>
<p>We will reduce, cap or abolish property tax reliefs and other tax shelters which benefit very high income earners.</p>
<p>We will also ensure the implementation of a minimum effective tax rate of 30% for very high earners.</p>
<p>Consider, arising from the previous Government’s deal with the IMF, various options for a site valuation tax. Any site valuation tax must take into account the significant number of households in mortgage distress and provide local government with a reliable stream of revenue.</p>
<p>We will limit the top rate of VAT to 23%.</p>
<p>We will review the Universal Social Charge.</p>
<p>We will ensure that tax exiles make a fair contribution to the Exchequer.</p>
<p>We will establish an independent Fiscal Advisory Council (FAC), separated from fiscal decision-makers in government, that would undertake official fiscal macroeconomic projections and monitoring. Its functions would include identifying and advising on cyclical and counter-cyclical fiscal policies and structural deficits; the cyclical or temporary nature of particular revenues; and the need to maintain an appropriate and effective tax base. The Fiscal Advisory Council will be independent of Government and will report to the Dáil and the public.</p>

The modelling assumptions and inputs of the Fiscal Advisory Council will, as far as possible, be open to public scrutiny and its outputs would be freely available to external bodies, including in particular, the opposition parties.
We will open up the Budget process to the full glare of public scrutiny in a way that restores confidence and stability by exposing and cutting failing programmes and pork barrel politics.
We will reform the Department of Finance by bringing in new leadership and skills to restore its capacity and credibility in financial and macroeconomic management. Specifically, we will make an external appointment of an economist of international repute to head up the Department's Budget and Economic Policy division.
We will bring new talent and skills into the Department of Finance.
Tax incentives for private hospital developments will cease.
Increasing mortgage interest relief to 30% for First Time Buyers in 2004-08 (from the current sliding scale of 20% to 25% depending on the year the mortgage was taken out), financed in part by bringing forward the abolition of relief for new buyers from June 2011.
Directing any mortgage provider in receipt of State support to present Government with a plan of how intends to cut its costs, over and above existing plans, in a fair manner by a sufficient amount to forego a 25 basis point increase on their variable rate mortgage.
Introducing a two year moratorium on repossessions of modest family homes where a family makes an honest effort to pay their mortgage.
We will ensure that the Central Bank and the Financial Regulator supervise credit institutions' mortgage lending practices comprehensively and intensively
Where credit institutions fail to adequately control mortgage lending risks, the Central Bank will impose loan-to-value ceilings on mortgages, caps on loan-to income multiples, limits on the term of new mortgages, and more rigorous procedures for verifying borrowers' incomes
Increase the penalty for tobacco smuggling for commercial purposes and provide robust detection measures to counteract such smuggling.
Seek to combat drug supplies at source by providing x-ray scanners at major ports; greater patrols along coastline and increasing presence of Customs officers at smaller airports.
Tightly regulate moneylenders.
We will accelerate Capital Allowances on software purchases against income tax and corporation profits tax from 8 to 3 years subject to a cost benefit analysis.
We will exempt farm diesel from further increases in the carbon tax.

Total Commitments: 54